

MINUTES
A SPECIAL SCHOOL BOARD AUDIT AND BUDGET ADVISORY COMMITTEE
OF MIAMI-DADE COUNTY PUBLIC SCHOOLS
September 6, 2011

The School Board Audit and Budget Advisory Committee (ABAC) met on Tuesday, September 6, 2011 in the School Board Administration Building, Conference Room 916, at 1450 N.E. Second Avenue, Miami, Florida to conduct a Special meeting.

Members Present:

Voting:

Mr. Frederick F. Thornburg, Esq., Chair
Mr. Jeffrey B. Shapiro, Esq., Vice Chair
Mr. Thomas Davis, Lt. Col.
Ms. Susan Marie Kairalla
Mr. Willie Kemp
Mr. Jose I. Rasco, CPA
Mr. Isaac Salver, CPA
Mr. Roland Sanchez-Medina, Esq.

Members Absent:

Dr. Lawrence Feldman, School Board Vice Chair
Mr. Mayowa Odusanya, Esq.

Non-Voting:

Dr. Richard H. Hinds, Associate Supt./CFO
Mr. Jose F. Montes de Oca, CPA, Chief Auditor

Call to Order

The ABAC Chair Frederick Thornburg called the meeting to order at 12:34 p.m. and warmly welcomed everyone in attendance.

Mr. Montes de Oca introduced the newly appointed Audit and Budget Advisory Committee Member, Mr. Thomas Davis, Lt. Col., USAFR, from Homestead. He noted that Mr. Davis is a native Miamian, who has been very active in the community for many years. Mr. Davis expressed his gratitude for this opportunity and said that he is looking forward to working with the Committee and staff.

Mr. Thornburg also asked for a moment of reflection for the victims and families of the terrorist attack on the tenth year anniversary of the September 11, 2001 attack.

1. Introductions

Mr. Thornburg asked everyone to introduce themselves. The following persons were present:

Ms. Perla Tabares Hantman, School Board Chair	Ms. Dulce Palacios, Executive Director
Ms. Raquel Regalado, School Board Member	Ms. Eugenia Sanchez de Fuentes Exec. Director
Mr. Alberto M. Carvalho, Superintendent of Schools	Mr. Jerold Blumstein, Administrative Assistant
Mr. Walter J. Harvey, Esq., School Board Attorney	Ms. Jackie Fals, Administrative Assistant
Mr. Luis M. Garcia, Deputy SB Attorney	Ms. Ana Lara, Administrative Assistant
Mr. Freddie Woodson, Deputy Superintendent	Ms. Marisol Perez, Administrative Assistant
Ms. Enid Weisman, Assistant Superintendent	Ms. Dalia Rosales, Administrative Assistant
Dr. Dan Tosado, Assistant Superintendent	Ms. Bertha Valcarcel, Administrative Assistant
Ms. Judith Marte, Chief Budget Officer	Ms. Lourdes Amaya, Administrative Aide
Mr. Ron Steiger, Asst. Chief Budget Officer	Ms. Elsie Berrios-Montijo, Administrative Secretary
Ms. Connie Pou, Controller	Ms. Lucila Gonzalez, Administrative Secretary
Ms. Daisy Naya, Assistant Controller	Ms. Mariluz Lasa, Administrative Secretary
Ms. Maria T. Gonzalez, Asst. Chief, School Audits	Ms. Carolyn Nelson-Goedert, President MDCC PTA
Mr. Julio C. Miranda, Asst. Chief, Investigative Affairs	
Mr. Trevor L. Williams, Asst. Chief, Oper. & Perf. Audits	
Ms. Cynthia Gracia, Administrative Director	
Mr. Luis Baluja, Supervisor	

2. Review of Proposed Adopted Annual Budget for the 2011-2012 fiscal year

Mr. Thornburg addressed the ABAC noting that pursuant to the governing provisions of the newly adopted School Board Policy 6840, *Audit and Budget Advisory Committee*, the Committee is charged with reviewing budgetary proposals and related matters on a macro basis and providing its recommendations to the School Board, without opining on the policy and programmatic implications of proposed budgets and amendments.

Mr. Walter J. Harvey, School Board Attorney, advised that since Mr. Thornburg is addressing the ABAC's additional duties, he wanted to inform the ABAC members that School Board Agenda Item (G-7), which was previously distributed to the ABAC members, is proposing amendments to School Board policies 6835 – *Office of Management and Compliance Audits* and 6840 – *Audit and Budget Advisory Committee*. This item, which was authored by School Board Member Mr. Carlos L. Curbelo, will be submitted to the School Board for initial reading at its September 7, 2011 meeting. Mr. Harvey then noted that the reason for the amendments was to reflect that the Chief Auditor will report directly to the School Board and that the Chief Auditor shall not serve as a non-voting member of the ABAC, but will continue to be the District's liaison to the ABAC.

Mr. Thornburg reiterated that the ABAC's mission in reviewing the budget was from an overall perspective and not to get involved in the details and line items of the budget. In addition, he mentioned for the record a memorandum dated July 12, 2011, which was submitted to the ABAC by Mr. Montes de Oca, inviting the ABAC members to review the proposed adopted annual budget for 2011-2012 at the next scheduled ABAC meeting to be held on September

27, 2011. The item was then accelerated to be discussed at a Special ABAC Meeting on September 6, 2011, in order to provide input to the School Board prior to its meeting of September 7, 2011. It was noted that the reason ABAC members were afforded so little time to review the budget and provide feedback before it went to the Board, was mostly due to legal requirements and production of the documents. Because it is a lengthy, important report the Committee members requested that for future reports the members be afforded as much time as possible to review such a comprehensive report, in order to be able to provide more meaningful input.

Mr. Alberto Carvalho thanked the Committee members for dedicating their time to review the Proposed Adopted Annual Budget for the 2011-2012 fiscal year prior to its submission to the School Board. Mr. Carvalho explained how the budget was developed; pointing out that unlike many organizations which have allowed the depressed economy to drive their budget, the guiding principles and value at M-DCPS would be to drive the budget to address its needs. He also explained the three guiding principles the administration considered to develop the budget: 1) ensuring the viability of this budget to continue to deliver and expand the existence of high quality programs and doing more with less; 2) protecting tax payers and community needs during this period of economic difficulties, noting that this budget was constructed with a lower millage that reduced the total millage advertised and produced a lower assessment of total revenues for tax payers; and 3) protecting the highly effective members of the workforce.

Mr. Carvalho emphasized the interest in ensuring that teachers will not be fired for economic reasons underlining that about 500 teachers did not receive a renewal of their contract for performance reasons, not economic. The primary reason for these steps, is that he very strongly believes that students deserve good quality teachers and the District good administrators to operate the school system.

Dr. Hinds explained the configuration of the budget noting that the School Board has several budgets within its main budget, which makes the development challenging. The largest budget, he noted, is the General Fund account that will be the main focus of the conversation. He went on to explain the different types of budgets which include a debt service, contracted programs, food service, and capital outlay. He then explained that Ms. Connie Pou, Controller, will present a brief history of the year-end balance in the general fund and Ms. Judith Marte, Chief Budget Officer, will present the guiding principles, statement of revenues, cost increases, outreach efforts, the millage and also give details on where the money goes. Dr. Hinds also explained what has been done this year in anticipation of yet another year of continued decrease in revenues for the 2012-2013 fiscal year. In his opinion, the greatest challenge to balancing the budget will be for the aforementioned fiscal year.

Ms. Connie Pou, Controller, started her presentation by focusing on the history of the General Fund – Fund Balance from the last three years. She observed that it has steadily grown since the end of the 2007-08 fiscal year and at the end of the 2010-11 fiscal year the general fund ended with a balance of \$221 million, which is an increase of \$90 million or 68% from the year before. She then provided the breakdown on the fund balance and provided details of the major elements and explained the difference between reserved and unreserved balances.

Members of the Committee inquired about the unassigned amount. The Superintendent explained for the new members of the Committee that the unassigned amount at the end of the 2007-08 fiscal year was about \$4 million and since that time, revenue from the State has been reduced by about \$2 billion. There was some maneuvering of funds, including transfers of funds from schools to the District in order to avoid the threat of a state of financial emergency being declared by the State.

Superintendent expressed that he is very comfortable with the way the reductions were made even though there was plenty of pain involved.

Mr. Thornburg inquired as to what is the unrestricted amount that is available. Ms. Marte responded that it is \$83,630,910 and noted that although \$83 million represents less than the 5% suggested by the State, it is above the 3% mandated.

Mr. Thornburg asked, are there any other unreserved amounts. Dr. Hinds responded no, and explained that non-recurring amounts are not used because it constitutes a very dangerous practice.

Ms. Marte explained the Budget Development Process noting that the Guiding Principles in the development process were the protection and more efficient delivery of programs; the protection of tax payer interests, noting that the millage for the School Board has been reduced by 0.244 and the protection of an effective workforce. Ms. Marte explained that the reduction in revenue for fiscal year 2011-12 is anticipated to amount to \$210 million. This has been addressed by personnel cuts at the central offices, reorganization of region offices and reduction in salaries to administrators and clerical personnel.

Ms. Marte added that since Mr. Carvalho began in late 2008, the central administration has been reduced by 50% representing \$55 million.

Ms. Marte continued to explain the cost savings for the 2011-12 budget and also noted the establishment of a \$29 million Program & Personnel Protection Plan (PPPP), in preparation for 2011-12 revenue cliff, setting aside monies to fund programs that would otherwise be eliminated.

Ms. Marte continued her presentation and provided a snapshot of where the money is spent, emphasizing that most of the money is spent on school services and curriculum support.

Mr. Sanchez-Medina asked if there are guidelines for school districts on how to spend their funds. Ms. Marte responded that there is a state class report that measures compliance with its guidelines and M-DCPS is in the top 5% in administering its revenue. The Superintendent added that three years ago M-DCPS was ranked among the top 27% in the country for large school systems for administering its funds and currently is ranked in the top 5%. In addition, he noted, M-DCPS is being considered for awards by the Council of Great City Schools and the Broad Foundation because of M-DCPS's remarkable financial management recovery.

Mr. Salver referred to the bottom of page 2 of School Board Item E-14 and asked why the tax roll for M-DCPS increased by \$7.7 billion, while the remaining Florida Counties' tax roll decreased by \$29.7 billion from May to July 1 and asked what direction should be taken by School Board and the Audit and Budget Advisory Committee.

Superintendent responded that he is reviewing the reasons explained in the item and may consider action by a legislation fix similar to that used by property owners in the past, whereby they challenged the assessed taxes and avoided paying any real estate taxes, sometimes for years, while the appeal process was going on. He said that he may ask the Committee for written support in this endeavor.

In conclusion, Ms. Marte explained that the Tentative Budget was unanimously approved by the School Board at its meeting of July 27, 2011 and very few changes were made since then and looks forward to the final adoption at the September 7, 2011 School Board meeting.

Dr. Hinds alerted the Committee to the fact that although they have anticipated and planned for future harsh economic times, the budget for the 2012-13 fiscal year will be another difficult one.

Superintendent concluded that what gave the M-DCPS the edge versus other governmental institutions during the past few years is that M-DCPS started the budgetary process very early on; its spending was very conservative, and aggressively renegotiated contracts with labor and private sectors. Mr. Carvalho noted that he had completed the 2011-12 budget and is already reviewing the 2012-13 budget.

There was some discussion amongst several members relating to the decrease of the millage and the anticipation of yet another difficult year. In this regard, management responded to a number of questions posed by several ABAC members.

Mr. Thornburg complimented management and School Board for a superb job in constructing this critical document.

There was no further discussion and upon a motion duly made by Ms. Kairalla, seconded by Mr. Shapiro, that carried unanimously, it was recommended that the School Board implement the Annual Budget for the 2011-2012 fiscal year as proffered.

Adjournment

There being no further business to come before the Committee and upon motion duly made and seconded, the meeting was adjourned by Mr. Thornburg at 2:11 p.m.

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